



United States  
Department of  
Agriculture

Foreign  
Agricultural  
Service

# FACT SHEET

## *U.S.-Peru Trade Promotion Agreement* Louisiana Farmers Will Benefit

November 2007

The U.S.-Peru Trade Promotion Agreement (PTPA) provides increased market access to Louisiana's agricultural exports by making agricultural trade a two-way street and leveling the playing field with respect to third country competitors in the Peruvian market. With immediate elimination of duties on nearly 90 percent of current U.S. trade to Peru, the PTPA will provide Louisiana producers and exporters the opportunity not only to preserve but to increase market share in Peru. The American Farm Bureau and over 40 other agricultural industry and farm groups strongly support the agreement stating that the agreement would benefit all U.S. agricultural sectors and allow the United States to become a competitive supplier of agricultural products to Peru.

Exports of farm products boost Louisiana's farm prices and income. Such exports support about 7,600 jobs both on and off the farm in food processing, storage, and transportation. Agricultural exports amounted to \$641 million and made an important contribution to Louisiana's farm cash receipts in 2006 that totaled \$2.2 billion.

**Rice.** As the state's second largest export at nearly \$136 million and as the second largest farm cash receipts at \$210 million, rice producers benefit from the PTPA.

- U.S. rice exporters currently face a system of variable levies (price band system) that result in tariffs as high as the World Trade Organization (WTO) ceiling of 68 percent.
- Peru will immediately eliminate the price band system on imports from the United States.
- Peru will establish a 74,000-ton, zero-duty rice tariff-rate quota (TRQ) that will grow six percent compounded annually. All rice types will be eligible for the TRQ with the quantity on a milled-equivalent basis. The over-quota tariff will be phased out over 17 years with no reduction during the first eight years.
- *The USA Rice Federation publicly supports the PTPA.*

**Cotton.** With cotton exports ranked first at \$264 million and the largest in farm cash sales, Louisiana benefits from the PTPA.

- The PTPA provides for reciprocal elimination of all cotton duties.

- Under the PTPA, Peru will immediately eliminate the 12-percent tariff (30-percent allowed by the WTO) facing U.S. exporters.
- The Peruvian market is worth almost \$50 million to U.S. cotton suppliers.

**Beef.** Providing the fourth largest source of cash receipts in the state, Louisiana's beef ranchers and beef industry benefit from the PTPA.

- Peru will immediately eliminate the 25-percent duties (30-percent allowed by the WTO) on the beef products of most importance to the U.S. beef industry – Prime and Choice cuts.
- U.S. exporters of variety meats (offals) will immediately receive duty-free access under a 10,000-ton TRQ that will grow six percent compounded annually. The 12-percent over-quota tariff will be phased out over ten years.
- Peru will provide immediate duty-free access for U.S. exports of standard quality beef through the establishment of an 800-ton TRQ that will grow six percent compounded annually. The 25-percent over-quota tariff will be phased out over 11 years.
- The United States will phase out its beef tariffs over 15 years except for those tariffs that are already duty-free under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The PTPA will continue the duty-free treatment.
- Peru agreed to continue to recognize the equivalence of the U.S. meat inspection and certification system to its own system.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, the U.S. Meat Export Federation, the US Hides, Skin and Leather Association, U.S. Livestock Genetics Export, Inc., and the Pet Food Institute publicly support the PTPA.*

**Corn.** With nearly 462,000 acres planted in corn, Louisiana's corn producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the WTO ceiling of 68 percent on some corn products.
- Peru will provide immediate duty-free access by establishing a 500,000-ton TRQ that grows six percent compounded annually. Peru will phase out the over-quota tariff over 12 years.
- All currently applied duties on crude corn oil will be phased out over three years; on high fructose corn syrup over five years; and on white corn and other corn products within ten years.
- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the North American Millers' Association, the American Feed Industry Association, and the Pet Food Institute publicly support the PTPA.*

**Soybeans and Products.** As the third largest export and fifth largest source of farm cash receipts in the state, Louisiana's soybean producers benefit from the PTPA.

- Peru will immediately eliminate duties, currently ranging from four to twelve percent (30 percent allowed by the WTO) on soybeans, soybean meal, and crude soybean oil.
- Peru will provide duty-free access for refined soybean oil by establishing a 7,000-ton, duty-free TRQ that will grow five percent compounded annually. Peru will phase out the over-quota tariff over ten years.
- *The American Soybean Association, the National Oilseed Processors Association, the American Feed Industry Association, and the Pet Food Institute publicly support the PTPA.*

**Sugar.** There will be no reductions in the U.S. over-quota duty that currently provides the equivalent of a 100-percent tariff protection for domestic producers including the 2.4-percent of Louisiana's farms engaged in sugar production.

- The United States will establish a 9,000-ton TRQ for Peru. This amount grows very slowly by 2 percent a year into perpetuity, so that by year 15 of the PTPA implementation the TRQ will be 11,520 tons. The United States will also establish a 2,000-ton TRQ for specialty sugar goods from Peru. The specialty sugar TRQ will not grow.
- Provisions will ensure that Peru will only ship when it is a net surplus exporter, and provisions have been agreed to allow alternative forms of compensation to be established to facilitate sugar stock management by the United States.
- *The Sweetener Users Association, the Grocery Manufacturers of America, and the Food Products Association have expressed support publicly for the PTPA.*